

BEFORE THE BOARD OF OIL AND GAS CONSERVATION
THE DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION OF THE STATE OF MONTANA

In the matter of the proposed)	NOTICE OF PROPOSED
amendment of ARM 36.22.1242 relating)	AMENDMENT
to privilege and license tax rates on oil)	
and gas)	NO PUBLIC HEARING
)	CONTEMPLATED

To: All Concerned Persons

1. On October 1, 2006, the Department of Natural Resources and Conservation proposes to amend ARM 36.22.1242 relating to privilege and license tax rates for oil and gas production

2. The Board of Oil and Gas will make reasonable accommodations for persons with disabilities who wish to participate in the rulemaking process and need an alternative accessible format of this notice. If you require an accommodation, contact the board no later than 5:00 p.m. on July 31, 2006, to advise us of the nature of the accommodation that you need. Please contact Terri Perrigo; P.O. Box 201601, Helena, MT 59620; telephone (406) 444-6675; fax (406) 444-2453; or e-mail tperrigo@mt.gov.

3. The rule as proposed to be amended provides as follows, stricken matter interlined, new matter underlined:

36.22.1242 REPORTS BY PRODUCERS – TAX REPORT – TAX RATE (1)
Each owner or operator of an oil or gas well or any other well (except an injection well reported on Form No. 5) shall file or cause to be filed with the board on or before the last day of each month following the month being reported on Form No. 6 containing all information required by said form and accurately reporting the status of each well thereon as of the last day of the month reported.

(2) The privilege and license tax on each barrel of crude petroleum and each 10,000 cubic feet of natural gas produced, saved, and marketed, or stored within the state or exported therefrom shall be ~~60.00 per cent~~ 30.00 percent ~~(1.8/10ths~~ .09/10 of 1%) of the rate authorized in 82-11-131, MCA, ~~(3/10ths~~ of 1%) of the market value thereof. This rule is effective on all crude petroleum and natural gas produced on and after ~~July 1, 2005~~ October 1, 2006.

AUTH: 82-11-111, MCA

IMP: 82-11-123, 82-11-131, and 82-11-133, MCA

4. REASONABLE NECESSITY: The board is proposing to amend ARM 36.22.1242 to reduce its privilege and license tax rate because the increase in the value of oil and gas has resulted in the current tax rate generating revenue in excess of that needed by the board to support its operations. HB 758, passed during the 2005

regular session, directs that the funds associated with this tax rate reduction go to the oil, gas, and coal natural resource account for distribution to the counties.

While reduction of the board's privilege and license tax rate does not decrease the amount of taxes paid by Montana operators, it does result in additional monies being distributed to Montana counties. Three hundred fifty oil and gas operators will be affected. The added amount that will be distributed to counties according to HB 758 is estimated to be \$615,035 per quarter (assuming price and production levels remain similar to levels existing 2005 ending quarters for September and December).

5. Concerned persons may submit their data, views, or arguments concerning the proposed amendment in writing to Terri Perrigo, 1625 11th Ave, Helena, MT 59620; telephone (406) 444-6675. Comments must be received no later than 5:00 p.m. on August 14, 2006.

6. If persons who are directly affected by the proposed amendment wish to express their data, views, and arguments orally or in writing at a public hearing, they must make written request for a hearing and submit this request along with any written comments they have to Terri Perrigo, 1625 11th Ave, Helena, MT 59620; telephone (406) 444-6675; or e-mail tperrigo@mt.gov. A written request for the hearing must be received no later than August 14, 2006.

7. If the agency receives requests for a public hearing on the proposed action from either 10% or 25, whichever is less, of the persons who are directly affected by the proposed action; from the appropriate administrative rule review committee of the legislature, from a governmental subdivision or agency; or from an association having not less than 25 members who will be directly affected, the hearing will be held at a later date. Notice of the hearing will be published in the Montana Administrative Register. Ten percent of those persons directly affected has been determined to be 35 persons based on 350 active oil and gas operators in the state of Montana.

8. An electronic copy of this Notice of Proposed Amendment is available through the department's site on the World Wide Web at <http://www.dnrc.mt.gov>. The department strives to make the electronic copy of this Notice of Public Hearing on Proposed Amendment conform to the official version of the Notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the Notice and the electronic version of the Notice, only the official printed text will be considered.

9. The agency maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request which includes the name and mailing address of the person to receive notices and specifies that the person wishes to receive notices regarding conservation districts and resource development, forestry, oil and gas conservation, trust land management, water resources or a combination thereof. Such written request may be mailed or delivered to Legal Unit, Department of Natural Resources and Conservation, P.O. Box 201601, 1625 11th Avenue, Helena,

MT 59620-1601, faxed to the office at (406) 444-2684, or may be made by completing a request form at any rules hearing held by the agency.

10. The bill sponsor notice requirements of 2-4-302, MCA, do not apply.

DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION

BOARD OF OIL AND
GAS CONSERVATION

/s/ Mary Sexton
MARY SEXTON
Director,
Natural Resources and Conservation

/s/ Terri Perrigo
TERRI PERRIGO
Executive Secretary,
Board of Oil and Gas

/s/ Tommy H Butler
Tommy H. Butler
Rule Reviewer

Certified to the Secretary of State July 17, 2006.